



## LODI CITY COUNCIL

Carnegie Forum

305 West Pine Street, Lodi

## AGENDA – SPECIAL MEETING

Date: May 8, 2007

Time: 7:00 a.m.

For information regarding this agenda please contact:

**Randi Johl**

**City Clerk**

**Telephone: (209) 333-6702**

*NOTE: All staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the Office of the City Clerk and are available for public inspection. If requested, the agenda shall be made available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. To make a request for disability-related modification or accommodation contact the City Clerk's Office as soon as possible and at least 24 hours prior to the meeting date.*

**A. Roll call**

**B. Regular Calendar**

B-1 Overview of 2007-08 Operating and Capital Outlay Budget and Set Public Hearing for May 30, 2007, to Review and Receive Comments Regarding City of Lodi 2007-08 Operating and Capital Outlay Budget (CM)

**NOTE: This item is carried over from the meeting of 5/2/07**

**C. Adjournment**

Pursuant to Section 54956.2(a) of the Government Code of the State of California, this agenda was posted at a place freely accessible to the public 24 hours in advance of the scheduled meeting.

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Randi Johl  
City Clerk

**\*\*NOTICE:** Pursuant to Government Code §54954.3(a), public comments may be directed to the legislative body concerning any item contained on the agenda for this meeting before (in the case of a Closed Session item) or during consideration of the item.\*\*



## CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Overview of 2007-08 Operating and Capital Outlay Budget and Set Public Hearing for May 30, 2007, to Review and Receive Comments Regarding City of Lodi 2007-08 Operating and Capital Outlay Budget (CM)

**MEETING DATE:** May 8, 2007

**PREPARED BY:** Kirk J. Evans, Budget Manager

**RECOMMENDED ACTION:** Receive staff's presentation and discussion regarding the FY 2007-08 Budget and set a public hearing for May 30, 2007, to review and receive comments regarding the City of Lodi 2007-08 Operating and Capital Outlay Budget.

**BACKGROUND INFORMATION:** For the third year in a row, the proposed recommended General Fund budget is balanced without requiring the use of General Fund reserves. This was accomplished in FY 2005-06, 2006-07 and will also be accomplished in FY 2007-08. The combination of moderate revenue growth, significant restraint in spending, and the application of best current municipal management practices has enabled staff to generate a balanced budget.

### General Fund

General Fund preliminary revenue estimates for FY 2007-08 are \$44,873,225 which is balanced against an expenditure projection of \$44,873,225. This will leave the estimated 6/30/2007 unreserved fund balance of \$3.5 million unchanged as of 6/30/2008. This positions the City close to half way towards the goal of a 15% cushion (fund balance).

### **General Fund Revenue Highlights**

- 1) **Sales Tax** – sales tax revenues in the City of Lodi, and as a general trend in cities across California, are flattening out. Total sales tax receipt estimates for the current FY 2006-07 are \$10,229,000 (\$7,595,000 sales & use tax plus \$2,634,000 in-lieu sales tax). For FY 2007-08 receipts are estimated to be \$10,209,000 (\$7,575,000 sales & use tax plus \$2,634,000 in-lieu sales tax). This decline would be more severe if not for the mitigating factor of the in-lieu sales tax remaining relatively firm. FY 2008-09 sales tax receipts will decline unless new retail establishments are brought on line.
- 2) **Property Tax** – Property tax revenues increased by \$1,150,600 (13.7%) between FY 2005-06 and 2006-07. Property tax receipt estimates for the current FY 2006-07 are \$9,525,600. According to the San Joaquin County Assessor's Office, the City of Lodi can feasibly project a 6.0% growth in secured property taxes for FY 2007-08. For FY 2007-08 receipts are estimated to

APPROVED: \_\_\_\_\_  
Blair King, City Manager

be \$10,097,136. Although the City has seen increases in property taxes over the past few years, the rate of growth relative to these increases is clearly declining. For FY 2008-09, there is zero growth projected in property tax revenues. Hopefully in that year the City will not experience an actual decline in revenue, but the potential does exist.

- 3) **In-Lieu Vehicle License Fees** – FY 2006-07 actual receipts are projected to be \$4,919,470. The budgeted amount for FY 2007-08 is \$5,165,444, which is a 5.0% increase.
- 4) **New/other revenues** – San Joaquin County municipal court will be leasing space in the Police Facility. Rent of this space in the amount of \$194,000 is included in the FY 2007-08 budget. Investment earnings in the amount of \$1,380,427 have been applied to appropriate accounts throughout the budget. Investment earnings will increase as cash reserves increase. The Budget Committee has recommended an adjustment to the Cable Television Franchise percentage. The recommendation is to increase the rate from 3.0% to 5.0%. A surcharge of \$5,000 has been included for the treatment of wastewater from local wineries.
- 5) **Community Facilities District** – Any city may establish a Mello-Roos Community Facilities District (CFD) to fund services. Funding can be for police protection, fire protection, parks, libraries, and other cultural facilities. The district may also recover expenses needed to form the CFD and administer the annual special taxes. It is estimated this revenue source will provide as much as \$1.2 million in additional revenue for future years.

### General Fund Expenditure Highlights

- **Police Department mandated vacancies will be filled.** The City of Lodi is committed to Public Safety and maintains these services as a high priority. Actual expenditures for Police over the past few fiscal years has increased as shown:

2003-04	2004-05	2005-06	Projected 2006-07	Budgeted 2007-08
\$9,352,696	\$12,416,590	\$12,743,786	\$13,835,161	\$14,353,370

The percentage share of total general fund expenditures for Police over the past few fiscal years has increased as follows:

2003-04	2004-05	2005-06	Projected 2006-07	Budgeted 2007-08
24.7%	30.1%	29.9%	32.3%	32.0%

At the present time two mandated vacancies remain in the Police Department - one Dispatcher Jailer position and one Police Records Clerk I/II position. These positions will be filled, leaving no mandated vacancies. This will allow for 100% staffing in the Department at a level of 117 positions and result in a return to earlier year's staffing levels. The 117 figure does not include Community Improvement Officer positions that may be transferred into the Police Department - this is discussed further below. At the time of this writing, there are five Police Officer vacancies. These are not mandated vacancies and can be filled at any time. Streamlined recruitment procedures which now provide Police with much greater autonomy in hiring employees will ensure staffing in this department is maintained at the highest level possible.

- **Fire Department.** As with Police, the City of Lodi is committed to Fire and maintains this service as a high priority. Actual expenditures for Fire over the past several fiscal years has increased as shown:

2003-04	2004-05	2005-06	Projected 2006-07	Budgeted 2007-08
\$5,922,631	\$8,085,097	\$8,263,635	\$8,700,219	\$9,012,340

The percentage share of total general fund expenditures for Fire over the past several fiscal years has increased as follows:

2003-04	2004-05	2005-06	Projected 2006-07	Budgeted 2007-08
15.7%	19.6%	19.4%	20.3%	20.1%

The Police and Fire Departments combined currently comprise 52.6% of total General Fund expenditures.

There are no mandated vacancies in the Fire Department. This allows for 100% staffing in the Department at a level of 64 positions. This is the greatest number of positions in the Department ever. At the time of this writing, there are three Fire vacancies – a Fire Division Chief, Fire Engineer, and Firefighter. These are not mandated vacancies and can be filled at any time.

- **Community Improvement move to Police Department.** There is a proposal to restructure the Community Improvement Division. This would include costs associated with removing an administrative clerk and two code enforcement officer positions from the Community Development Department and establishing an administrative clerk and three code enforcement officer positions in the police Department. This change would add \$339,350 to the Police Department budget.
- **Hutchins Street Square and Parks & Recreation.** The City Council will be asked if there is a desire to consider the possible efficiencies of a combined Parks & Recreation and Hutchins Street Square Department.
- **Debt Service Payment - \$1,687,000.** Certificates of Participation (COPs) were issued in 2002 to provide financing for the construction of the new Police Facility and to refund outstanding 1995 and 1996 COPs. These COPs were sold to finance the Downtown Revitalization and Cherokee Lane Beautification projects, as well as construction of the Hutchins Street Square Conference and Performing Arts Center. Annual payments - for FY 2007-08 the amount is \$1,687,000 - must be made on the 2002 COP until October, 2031. This represents an ongoing demand on the General Fund for quite an extended period of time.

### **Electric Fund**

The Electric Fund preliminary estimated 6/30/2007 fund balance is \$5,571,823. Preliminary revenue estimates for FY 2007-08 are \$76,982,257 with an expenditure projection of \$75,454,770. This will contribute \$1,527,487 towards an estimated 6/30/2008 fund balance of \$7,099,310.

- **Energy Cost Adjustment (ECA)** - An ECA will be incorporated into electric rates to ensure that sufficient revenue is generated to cover any increases in electricity costs over the course of FY 2007-08 and beyond.
- **Avoidance of line extensions costs** - the savings realized by charging developers the amount it costs to service homes will be as much as \$400,000 to \$500,000 per year.
- **Payment in Lieu of Taxes** – past City policy provided that the Electric Utility, Water fund and Wastewater fund may transfer up to 12 percent of each enterprise fund's revenues to the general fund as payment in-lieu of taxes (PILOT). City Council approved a new policy on 2/7/2007 limiting increases in the EUD PILOT to changes in the number of customers. In FY 2006-07 the Electric Utility PILOT was budgeted at 10.6% of revenue. This percentage will decline with the passage of time since customer growth does not increase as quickly as revenue growth.

### **Water Fund**

The Water Fund preliminary estimated 6/30/2007 fund balance is \$534,780. Preliminary revenue estimates for FY 2007-08 are \$18,963,700 with an expenditure projection of \$16,740,530. This will contribute \$2,223,170 towards an estimated 6/30/2008 fund balance of \$2,757,950.

### **Wastewater Fund**

The Wastewater Fund preliminary estimated 6/30/2007 fund balance is \$1,757,400. Preliminary revenue estimates for FY 2007-08 are \$39,066,020 with an expenditure projection of \$38,424,330. This will contribute \$641,690 towards an estimated 6/30/2008 fund balance of \$2,399,090.

### **Streets Fund**

The Streets Fund preliminary estimated 6/30/2007 fund balance is \$3,819,850. Preliminary revenue estimates for FY 2007-08 are \$4,847,014 with an expenditure projection of \$6,239,110. This will reduce the 6/30/2007 fund balance by \$1,392,096 to produce an estimated 6/30/2008 fund balance of \$2,427,754.

### **Vehicle Replacement Fund**

The Vehicle Replacement Fund preliminary estimated 6/30/2007 fund balance is \$628,380. Preliminary revenue estimates for FY 2007-08 are \$630,230 with an expenditure projection of \$244,000. This will contribute \$386,230 towards an estimated 6/30/2008 fund balance of \$1,014,610.

### **Library Fund**

The Library Fund preliminary estimated 6/30/2007 fund balance is \$602,080. Preliminary revenue estimates for FY 2007-08 are \$1,738,990 with an expenditure projection of \$1,749,760. This will reduce the 6/30/2007 fund balance by \$10,770 to produce an estimated 6/30/2008 fund balance of \$591,310. Note that this expenditure projection does not include a proposed \$2.2 million Library Renovation.

**FISCAL IMPACT:** N/A

**FUNDING AVAILABLE:** N/A

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James R. Krueger,  
Deputy City Manager

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Kirk J. Evans  
Budget Manager

KJE  
Attachments

cc: City Attorney